

**VIDEO LOTTERY OPERATION LICENSE IN
BALTIMORE CITY
(#2012-0101)**

**RESPONSES TO WRITTEN QUESTIONS
June 10, 2011**

This List of Questions and Responses #2 (Q&A#2) is being issued to clarify certain information contained in the above named RFP. The statements and interpretations of License requirements, which are stated in the following questions are not binding on the State, unless the State expressly amends the RFP. Nothing in the State's responses to these questions is to be construed as agreement to or acceptance by the State of any statement or interpretation on the part of the entity asking the question as to what the License does or does not require. Some questions have been edited for brevity and clarity, and duplicate questions may have been combined or eliminated.

The following are questions submitted pursuant to the RFP and the Location Commission's responses to those questions:

33. QUESTION: Section 1.1.2: VLT Allocation – a) If an Applicant proposes a lesser number of machines than is statutorily allowed in Baltimore City, i.e. 1500 instead of 3750, and pays that license fee, is there a means by which an applicant can add machines by paying an additional fee during the RFP process?

b) In the MOU with Baltimore City it is stated that the Applicant must be awarded a minimum of 3,750 VLTs, which is contrary to the RFP in that the maximum allowable is 3,750. Is this to say the Applicant cannot propose fewer than 3,750 VLTs?

ANSWER: a) The Applicant must pay an Initial License Fee of \$3 million per 500 VLTs based on the maximum number of VLTs contained in its Proposal, regardless of when the VLTs are actually allocated. If the Applicant proposes and is awarded a License for fewer than 4,750 VLTs, the Applicant/Licensee has no assurance that additional VLTs will be available to be added to its License at the later date. If an Applicant wishes to augment its allocation of VLTs under Section 5.4, the Location Commission may permit a revised Proposal if it is in the best interests of the State. The Applicant must submit a revised Proposal that reflects the additional VLTs and the required initial license fee.

The law authorizes the Location Commission to award fewer than the 15,000 authorized VLTs initially. To the extent that occurs, the Location Commission may allocate additional VLTs and re-allocate VLTs through its expiration in January 2015. Following that date, the Lottery Commission has the authority to allocate and re-allocate VLTs every three years. The process for such requests has not yet been determined.

b) The current statutory allocation of VLTs for the Baltimore City Facility is up to 3,750. As stated in the MOU an Applicant must propose at least the current statutory allocation of 3,750. The Location Commission has the authority to reallocate VLTs (see Section 2.32), but no Facility may have more than 4,750 VLTs. An Applicant may propose up to the statutory limit of 4,750 VLTs for consideration by the Location Commission.

34. **QUESTION:** Section 1.2.2.3: a) What can be included in the construction costs (soft costs, capitalized interest, fixtures, etc.)? Are there any cost categories specifically not qualified as “construction and related costs”?

b) Does the cost of a temporary facility count toward the total capital investment required?

c) Is the parking garage included in as part of the \$187.5 million of construction costs (assuming 3,750 machines)?

d) If additional land is purchased for the project, might that land cost contribute to the required capital investment amount of \$25M/500 VLTs?

e) Does spending on the following items count towards the \$25 million per 500 VLT requirement:

- Fees to banks for raising debt financing
- Fee to contractors, developers, architects, engineers, lawyers
- Interest reserve on aforementioned debt (ie money put into an escrow account to fund interest during construction period)
- Pre-opening wages for employees
- Pre-opening hiring and training
- Pre-opening spending on promotion, marketing and advertising
- Initial working capital/cage cash

ANSWER: a) The Licensee's proposed plan for the required capital investment will be submitted with its Proposal and when accepted by the Location Commission shall become the basis for the Licensee's required performance. (see Section 3.1.6.3 of the RFP)

b) It depends upon the exact nature of the Temporary Facility. The Licensee's proposed plan for operation of the Temporary Facility, transition to the Permanent Facility and operation of the Permanent Facility will be submitted with its Proposal and when accepted by the Location Commission shall become the basis for the Licensee's required performance. Truly temporary structures are unlikely to be counted toward the capital investment.

c) Yes.

d) It would depend on the uses made of the additional land and how the additional land is integrated into the VLT Facility.

e) No, except for architectural and engineering fees related to construction of the VLT facility.

35. **QUESTION:** Section 1.2.2.3: a) Please confirm that the \$25M per 500 VLT investment requirement may be satisfied by investment in construction and related costs associated with the entire site proposal of the Applicant, including associated entertainment and retail facilities, hotels and other commercial development, site infrastructure, roadway improvements, demolition/replacement of existing buildings, land investment, in-kind contributed capital and other investments in construction and related costs occurring on the proposed site for the benefit of the proposed site even if these costs are not specifically incurred on the structure that houses the VLTs.

b) Please also confirm that there is no express time requirement for these expenditures.

ANSWER: a) The Applicant's plan for expenditure of the capital investment and the proposed timeline for the expenditure as presented in its Proposal will be part of the evaluation of the entire Proposal.

b) Although there is no time requirement for these expenditures specified in the law, the expenditures would need to be made during the initial term of the License and as described by an Applicant in its Proposal.

36. **QUESTION:** Section 3.1.7.1 G: Proposals must "provide the percent ownership of the Applicant by entities meeting the definition of MBE under State Law and describe the efforts made to include MBE owners in the Proposal." Please confirm that this statement is correct and not meant to imply or state that the entities need to be MBE certified.

ANSWER: Yes, this statement is correct. Entities do not need to be MBE certified as to minority ownership, but they must meet the maximum net

worth limitation of \$1.5 million. However, entities used to comply with the MBE subcontract participation goal must be MBE certified. MBE ownership does not relieve an Applicant from meeting its MBE subcontracting goal.

37. **QUESTION:** Section 4.3.2: Please clarify the requirements regarding Baltimore City Parking Revenue Bonds, specifically the timing of issuance of the bonds for financing of the parking garage.

a) Would the licensee be able to obtain the financing through the City prior to construction of garage? Or would the licensee be required to obtain financing for the garage and then utilize the bond revenue and transfer the garage to the City?

b) Is there a cap on the amount of taxable parking revenue bonds that the City could issue for Project? What are the terms of the bonds?

ANSWER: a) The Licensee must obtain financing for the parking garage. The Parking Revenue Bonds are used as take out financing once the garage is complete. Ownership of the garage will transfer to the City and the Licensee is responsible for paying down the bonds.

b) Yes. There is up to \$50 million available and this amount represents all costs associated with the bonds, not just construction. The terms of the bonds are determined when they go to market.

38. **QUESTION:** Section 4.3.2: Who receives revenues from parking garage? Who maintains it? What other requirements associated with the garage are there?

ANSWER: The Licensee will operate and maintain the parking garage and any parking revenues would be received by the Licensee. Other requirements would be negotiated with the City after License award.

39. **QUESTION:** Section 5.4: notes that additional submissions may be submitted by Applicants when deemed in the best interest of the State. Is there any ability of an applicant to supplement its RFP during the process to add, subtract or change information that is newly determined or obtained?

ANSWER: In Section 5.4 "Discussions and Negotiations" the applicable process for conducting discussions and negotiations with an Applicant is described and, when deemed in the best interest of the State, the Location Commission may permit a qualified Applicant to submit a revised Proposal. Sections 5.5 and 2.9.4 should also be reviewed.